

Financial Statements

VILLAGE OF L'ANSE, MICHIGAN

Financial Report

With Supplemental Information

June 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF L'ANSE	County BARAGA
Audit Date JUNE 30, 2004	Opinion Date AUGUST 12, 2004	Date Accountant Report Submitted to State: SEPTEMBER 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

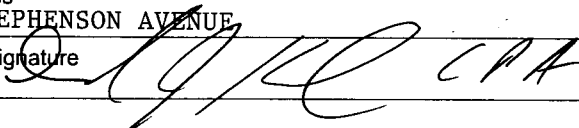
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) FLEURY, SINGLER & COMPANY, P.C.			
Street Address 301 STEPHENSON AVENUE	City IRON MOUNTAIN	State MI	ZIP 49801
Accountant Signature 			

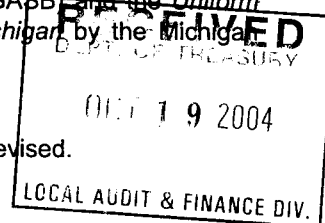


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INDEPENDENT AUDITORS' REPORT

The Honorable President and Village Council
Village of L'Anse
L'Anse, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **VILLAGE OF L'ANSE, MICHIGAN** as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **VILLAGE OF L'ANSE, MICHIGAN'S** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **VILLAGE OF L'ANSE, MICHIGAN** as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2004, on our consideration of the Village of L'Anse, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note K, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments, as of July 1, 2003.

The management's discussion and analysis, retirement system schedule of funding progress, and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **VILLAGE OF L'ANSE, MICHIGAN'S** basic financial statements. The accompanying other supplemental information as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

August 12, 2004

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

Within this section of the Village of L'Anse, Michigan's financial report, the Village's management provides narrative discussion and analysis of the financial activities of the Village for the fiscal year ended June 30, 2004. The Village's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Village's primary government, unless otherwise noted, the component unit reported separately from the primary government is not included. Please read this management's discussion and analysis in conjunction with the Village's financial statements.

Financial Highlights

- The Village's assets exceeded its liabilities by \$6,235,394 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded its liabilities by \$6,316,771. Net assets increased in governmental activities by \$248,461 and decreased in business-type activities by \$329,838. Governmental activities included transfers of \$229,923 from the component unit and transfers of \$150,000 from proprietary funds (business-type activities). Business-type activities included a \$150,000 transfer to the general fund (governmental activities) and depreciation expense of \$253,955.
- Total net assets are comprised of the following:
 1. Capital assets, net of related debt, of \$5,409,578 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 2. Net assets of \$268,423 are restricted by constraints imposed from debt covenants and regulations.
 3. Unrestricted net assets of \$557,393 represent the portion available to maintain the Village's continuing obligations to citizens and creditors.
- The Village's governmental funds reported total ending fund balance of \$205,875 compared to the prior year ending fund balance of \$320,628, a decrease of \$114,753 during the current year.
- Total liabilities of the Village decreased by \$36,077 during the fiscal year. Debt acquisition was limited to \$83,950 for an installment contract to purchase equipment.
- The Village's Electric Utility Fund invested \$80,156 with the Upper Peninsula Public Power Agency. The purpose of the Agency is to invest in the American Transmission Company System, a Wisconsin LLC.
- The Village acquired adjacent property (land and grocery store property) for \$394,739. The purpose of the acquisition was to facilitate the construction of the "Linden Creek Flood Control" project. The purchase was financed primarily from transfers from the component unit (\$200,000), the Electric Utility Fund (\$75,000), and the Disposal System Fund (\$75,000). Management is confident that the property will be resold in fiscal year 2005 for approximately the purchase price. Although no legal obligation exists, the Village intends to transfer the proceeds received back to the original transferors.
- New improvements to the disposal plant were completed during fiscal year ended 2004. The Village portion of revenue bonds issued to finance the project was \$1,462,300 of which \$1,416,343 is outstanding at year-end.
- The Village did not incur construction costs related to road improvements during fiscal year ended 2004. Construction activities are anticipated in 2005.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Village's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The Village also includes in this report additional information to supplement the financial statements.

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2004

Government-wide financial statements

The Village's financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Village's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide financial statements is the **Statement of Net Assets**. This is the Village-wide statement of financial position presenting information that includes all of the Village's assets and liabilities with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village as a whole is improving or deteriorating. Evaluation of the overall economic health of the Village would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the Village infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the **Statement of Activities**, which reports how the Village's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the Village's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Village that are principally supported by taxes and intergovernmental revenues, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, sanitation and recreation. Business-type activities include electric utility, water utility and a disposal system.

The Village's financial reporting entity includes the funds of the Village (primary government) and one organization for which the Village is accountable (Downtown Development Authority-component unit).

Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village's most important funds rather than the Village as a whole. Major funds are separately reported, while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The Village has two kinds of funds:

Governmental Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Village's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the Village charges customers a fee. Proprietary funds include the electric utility fund, water fund and disposal system fund and are reported as business-type activities in the government-wide financial statements. All three funds are reported as major funds.

VILLAGE OF L'ANSE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2004

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's progress in funding its obligation to provide pension benefits to its employees. A budgetary comparison statement is included in the basic financial statements for the general fund.

Major funds and the component unit are reported in the basic financial statements. Combining statements for nonmajor funds are presented in a subsequent section of this report.

Financial Analysis of the Village as a Whole

Net assets as of the current year and prior year are as follows:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets:						
Current assets	\$ 323,436	\$ 473,371	\$ 581,660	\$ 838,209	\$ 905,096	\$ 1,311,580
Noncurrent assets	2,273,682	1,864,172	8,354,418	8,474,898	10,628,100	10,339,070
Total assets	\$ 2,597,118	\$ 2,337,543	\$ 8,936,078	\$ 9,313,107	\$ 11,533,196	\$ 11,650,650
Liabilities:						
Current liabilities	\$ 179,662	\$ 162,106	\$ 311,683	\$ 361,475	\$ 491,345	\$ 523,581
Long-term liabilities	979,278	985,720	3,827,179	3,824,578	4,806,457	4,810,298
Total liabilities	\$ 1,158,940	\$ 1,147,826	\$ 4,138,862	\$ 4,186,053	\$ 5,297,802	\$ 5,333,879
Net assets:						
Investment in capital						
assets net of related debt	\$ 1,337,816	\$ 966,172	\$ 4,071,762	\$ 4,324,379	\$ 5,409,578	\$ 5,290,551
Restricted	75,100	60,507	193,323	192,381	268,423	252,888
Unrestricted	25,262	163,038	532,131	610,294	557,393	773,332
Total net assets	\$ 1,438,178	\$ 1,189,717	\$ 4,797,216	\$ 5,127,054	\$ 6,235,394	\$ 6,316,771

The Village's combined net assets decreased 1.3 percent from a year ago; decreasing from \$6,316,771 to \$6,235,394. Business type activities net assets decreased by \$329,838, while governmental activities net assets increased by \$248,461.

Unrestricted net assets, the portion that can be used to finance day-to-day operations, decreased by \$137,776 or 85 percent for governmental activities and by \$78,163 or 13 percent for business-type activities. The primary explanation for this decrease was the acquisition of the land and grocery store property previously discussed.

VILLAGE OF L'ANSE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2004

Changes in net assets during the current year are as follows:

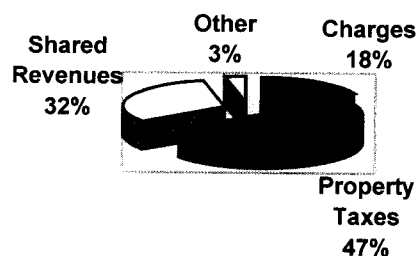
	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenue:			
Charges for services	\$ 245,357	\$ 1,910,147	\$ 2,155,504
General revenue:			
Property taxes	631,879	-	631,879
State-shared revenues	427,101	-	427,101
Interest	12,816	6,357	19,173
Other	32,010	-	32,010
Transfers from DDA	229,923	-	229,923
Total revenues	\$ 1,579,086	\$ 1,916,504	\$ 3,495,590
Program Expenses			
General government	\$ 164,869	\$ -	\$ 164,869
Public safety	397,852	-	397,852
Public works	627,060	-	627,060
Sanitation	191,408	-	191,408
Recreation	49,500	-	49,500
Interest on long-term debt	49,936	-	49,936
Proprietary activities	-	2,096,342	2,096,342
Total program expenses	\$ 1,480,625	\$ 2,096,342	\$ 3,576,967
Change in Net Assets before Transfers	\$ 98,461	\$ (179,838)	\$ (81,377)
Transfers	150,000	(150,000)	-
Change in Net Assets	\$ 248,461	\$ (329,838)	\$ (81,377)

(Comparative data not available, will be provided in future years.)

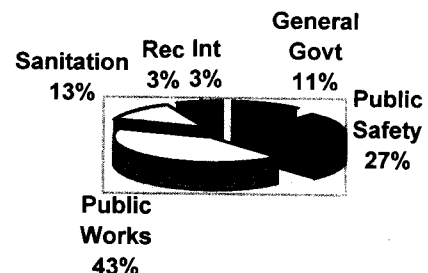
Graphic presentations of selected data follow to assist in the analysis of the Village's activities for fiscal year 2004:

Governmental Activities

Governmental Revenues



Governmental Expenditures



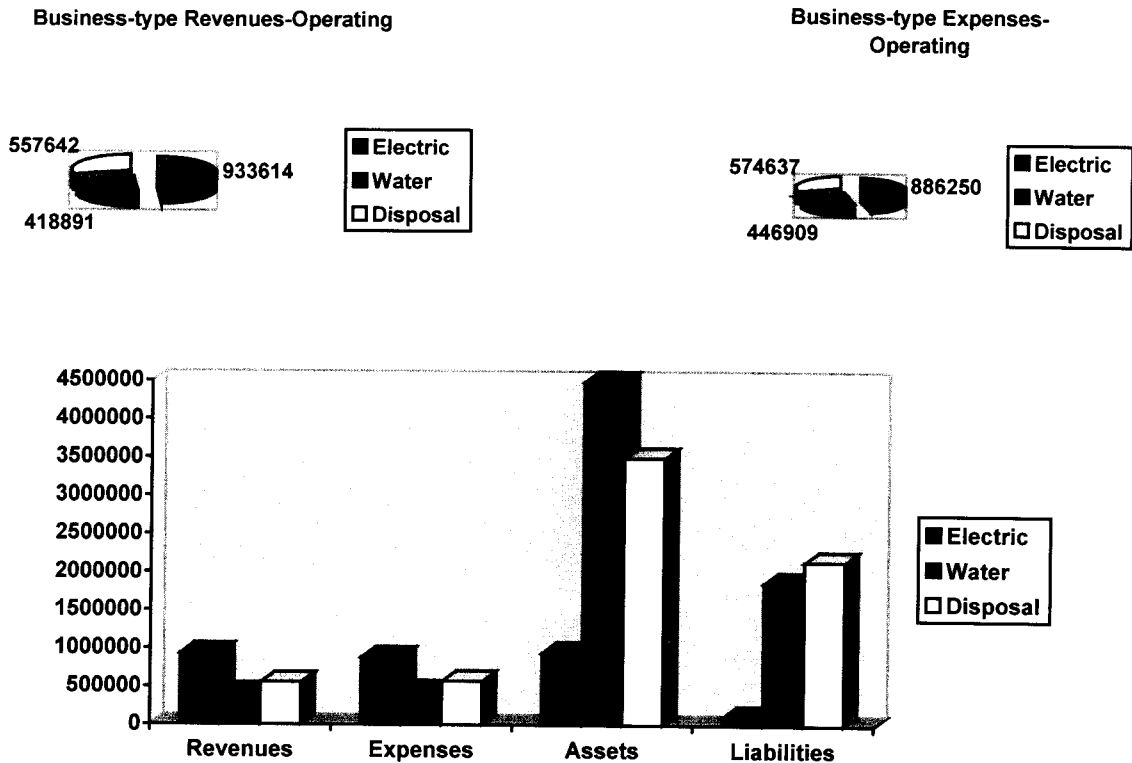
The above charts do not include transfers.

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2004

Business-type Activities



Financial Analysis of the Village's Funds

Governmental Funds – The Village's total governmental revenues increased by approximately \$59,000 or 4 percent of the prior year levels. Governmental expenditures increased by approximately \$34,000 or 2 percent of the prior year levels, with the exception of capital outlays. Capital outlays in 2004 were \$498,345 as compared to \$34,426 in 2003. The primary explanation for this increase was the purchase of land and grocery store property (as previously discussed).

Proprietary Funds – The Village's business-type activities consist of electric utility, water utility and a disposal system. Operating revenues remain consistent with prior year with a decrease of 2 percent. Operating expenses decreased by 1 percent. Operating income (loss) continues at an approximate breakeven level. Interest expense increased approximately \$12,000 or 7 percent due to the debt service related to the additions in the disposal system. The electric utility and disposal system each contributed \$75,000 for the acquisition of the land and grocery store property.

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to account for events during the year. Budgetary amendments were relatively minor, with the exception of capital outlay. Total budgeted capital outlay was increased by \$447,050 to accommodate the purchase of the land and grocery store property (\$395,000), an end loader (\$51,000) for the public works department and other equipment (\$1,050).

VILLAGE OF L'ANSE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2004

Capital Asset and Debt Administration

During 2004, the Village invested \$526,503 for the purchase of various capital assets as described above. The Village incurred no costs for road reconstruction or improvements within the Village limits.

At the end of the fiscal year, the Village had long-term debt obligations of \$4,950,243. This balance is \$83,950 more than the prior year balance of \$4,877,078. Additions to debt obligations include an installment contract to purchase an end loader for the public works department and \$116,984 of final advances on the disposal system upgrade.

Economic Factors and Next Year's Budgets and Rates

Local economic conditions continue to improve and the Village anticipates continued, but slow, growth. The Village's 2005 budget is consistent with 2004 with the exception of capital outlay and sale of assets. The budgeted outlay for the purchase of the land and grocery store property in 2004 is anticipated to become revenue in 2005. The Village has an "offer on the table" and anticipates receipt of this money early in fiscal 2005. Utility rate increases have been approved effective August 1, 2004: 5 percent electric utility and 3 percent water utility and disposal system. These rate increases were necessary to cover increasing costs.

Contacting the Village's Financial Management

The financial report is designed to provide a general overview of the Village's finances and demonstrate the Village's commitment to public accountability. If you have any questions about this report or need additional information, we welcome you to contact the clerk's office at (906)-524-6116.

VILLAGE OF L'ANSE
STATEMENT OF NET ASSETS
June 30, 2004

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Total	Unit
Assets				
Cash and cash equivalents	\$ 225,495	\$ 373,671	\$ 599,166	\$ 5,231
Accounts receivable:				
Utility billings	19,197	207,989	227,186	-
Other	59,634	-	59,634	16,261
Taxes receivable	16,486	-	16,486	29,211
Due from primary government	-	-	-	20,331
Inventory	2,624	-	2,624	-
Investments	-	80,156	80,156	102,066
Restricted assets	-	284,322	284,322	-
Capital assets	2,273,682	7,989,940	10,263,622	-
Total assets	\$ 2,597,118	\$ 8,936,078	\$ 11,533,196	\$ 173,100
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 66,948	\$ 84,572	\$ 151,520	\$ -
Accrued sick and vacation wages	27,184	117,307	144,491	-
Customer deposits	-	18,805	18,805	-
Due to component unit - DDA	20,331	-	20,331	-
Accrued interest	12,412	-	12,412	-
Noncurrent liabilities:				
Due within one year	52,787	90,999	143,786	-
Due in more than one year	979,278	3,827,179	4,806,457	-
Total liabilities	\$ 1,158,940	\$ 4,138,862	\$ 5,297,802	\$ -
Net Assets				
Investment in capital assets-				
net of related debt	\$ 1,337,816	\$ 4,071,762	\$ 5,409,578	\$ -
Restricted:				
Debt requirements	-	193,323	193,323	-
Streets and roads	75,100	-	75,100	-
Unrestricted	25,262	532,131	557,393	173,100
Total net assets	\$ 1,438,178	\$ 4,797,216	\$ 6,235,394	\$ 173,100

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>
Functions/Programs		
Primary Government:		
Governmental activities:		
General government	\$ 164,869	\$ 11,837
Public safety	397,852	8,689
Public works	627,060	-
Sanitation	191,408	221,253
Recreation	49,500	3,578
Interest on long-term debt	49,936	-
	<hr/>	<hr/>
Total governmental activities	\$ 1,480,625	\$ 245,357
Business-type activities	<hr/> 2,096,342	<hr/> 1,910,147
Total primary government	<hr/> \$ 3,576,967	<hr/> \$ 2,155,504
Component Unit - Downtown Development Authority	<hr/> \$ 20,657	<hr/> \$ -
	<hr/>	<hr/>
General revenues and transfers:		
Property taxes		
Village operating		
Downtown Development Authority		
Total property taxes		
State-shared revenues		
Interest		
Other		
Sale of fixed assets		
Transfers - proprietary funds		
Transfers - component unit		
Total general revenues and transfers		
Change in Net Assets		
Net Assets - Beginning of year		
Net Assets - End of year		

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (153,032)	\$ -	\$ (153,032)	\$ -
(389,163)	-	(389,163)	-
(627,060)	-	(627,060)	-
29,845	-	29,845	-
(45,922)	-	(45,922)	-
(49,936)	-	(49,936)	-
\$ (1,235,268)	\$ -	\$ (1,235,268)	\$ -
-	(186,195)	(186,195)	-
\$ (1,235,268)	\$ (186,195)	\$ (1,421,463)	\$ -
\$ -	\$ -	\$ -	\$ (20,657)
\$ 631,879	\$ -	\$ 631,879	\$ -
-	-	-	91,701
\$ 631,879	\$ -	\$ 631,879	\$ 91,701
\$ 427,101	\$ -	\$ 427,101	\$ -
12,816	6,357	19,173	5,833
30,510	-	30,510	-
1,500	-	1,500	-
150,000	(150,000)	-	-
229,923	-	229,923	(229,923)
\$ 1,483,729	\$ (143,643)	\$ 1,340,086	\$ (132,389)
\$ 248,461	\$ (329,838)	\$ (81,377)	\$ (153,046)
1,189,717	5,127,054	6,316,771	326,146
<u>\$ 1,438,178</u>	<u>\$ 4,797,216</u>	<u>\$ 6,235,394</u>	<u>\$ 173,100</u>

VILLAGE OF L'ANSE
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2004

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 86,422	\$ 139,073	\$ 225,495
Taxes receivable	15,512	974	16,486
Accounts receivable:			
Utility billings	19,197	-	19,197
Other	45,771	13,863	59,634
Inventory	2,624	-	2,624
Due from other funds	-	3,108	3,108
Total assets	\$ 169,526	\$ 157,018	\$ 326,544
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 51,828	\$ 15,120	\$ 66,948
Accrued sick and vacation wages	25,856	1,328	27,184
Due to component unit - Downtown Development Authority	20,331	-	20,331
Due to other funds	3,108	-	3,108
Accrued interest	3,098	-	3,098
Total liabilities	\$ 104,221	\$ 16,448	\$ 120,669
Fund balances			
Reserved for inventory	\$ 2,624	\$ -	\$ 2,624
Unreserved - reported in:			
General fund	62,681	-	62,681
Special revenue funds	-	140,570	140,570
Total fund balances	\$ 65,305	\$ 140,570	\$ 205,875
Total liabilities and fund balances	\$ 169,526	\$ 157,018	\$ 326,544

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2004

Fund Balances - Total Governmental Funds \$ 205,875

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets of \$3,019,226, net of accumulated depreciation
of (\$745,544) used in governmental activities are not financial
resources and are not reported in the governmental funds 2,273,682

Accrued interest payable is recorded as a liability in
governmental activities (9,314)

Compensated absences are included as a liability in
governmental activities (96,199)

Long-term liabilities are not due and payable in the current
period and are not reported in the governmental funds (935,866)

Net Assets - Governmental Activities \$ 1,438,178

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 482,083	\$ 149,796	\$ 631,879
State shared revenues	241,736	185,365	427,101
Garbage collections fees	221,253	-	221,253
Rent	132,725	-	132,725
Other	37,488	9,008	46,496
Interest	11,954	862	12,816
Total revenues	\$ 1,127,239	\$ 345,031	\$ 1,472,270
Expenditures			
Current:			
General government	\$ 147,989	\$ -	\$ 147,989
Public safety	371,853	-	371,853
Public works	370,077	329,863	699,940
Sanitation	194,414	-	194,414
Recreation	43,786	-	43,786
Capital outlay	498,345	-	498,345
Debt service	34,356	61,713	96,069
Total expenditures	\$ 1,660,820	\$ 391,576	\$ 2,052,396
Excess of Revenues (Under) Expenditures	\$ (533,581)	\$ (46,545)	\$ (580,126)
Other Financing Sources (Uses)			
Installment obligation	\$ 83,950	\$ -	\$ 83,950
Sale of fixed assets	1,500	-	1,500
Operating transfers in - Component Unit	229,923	-	229,923
Operating transfers in - Proprietary Fund	150,000	-	150,000
Operating transfers in	-	171,038	171,038
Operating transfers out	(62,038)	(109,000)	(171,038)
Total other financing sources (uses)	\$ 403,335	\$ 62,038	\$ 465,373
Net Change in Fund Balance	\$ (130,246)	\$ 15,493	\$ (114,753)
Fund Balance - Beginning of year	195,551	125,077	320,628
Fund Balance - End of year	<u>\$ 65,305</u>	<u>\$ 140,570</u>	<u>\$ 205,875</u>

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

Net Change in Fund Balances - Total Governmental Funds **\$ (114,753)**

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures in the statement
of activities; these costs are allocated over their estimated useful lives as
depreciation 498,345

Capital assets used in governmental activities are not considered financial
resources; such as, depreciation recorded on those assets not
considered an activity of the funds (88,836)

Interest expense is recorded in the funds when due; it is recorded in the
statement of activities when incurred 49

Increase in accumulated sick pay is recorded when earned in the statement
of activities (8,478)

Proceeds of debt issuances provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the statement of
net assets (83,950)

Repayment of debt principal is an expenditure in the governmental funds, but
the repayment reduces long-term liabilities in the statement of net assets 46,084

Change in Net Assets - Governmental Activities **\$ 248,461**

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2004

Assets	Major Funds			Total
	Electric Utility	Water Utility	Disposal System	
Current assets:				
Cash and cash equivalents	\$ 326,481	\$ 19,674	\$ 27,516	\$ 373,671
Accounts receivable - net	106,868	40,713	60,408	207,989
Total current assets	\$ 433,349	\$ 60,387	\$ 87,924	\$ 581,660
Long-term assets:				
Investments	\$ 80,156	\$ -	\$ -	\$ 80,156
Restricted assets	-	168,013	116,309	284,322
Utility plant and system (capital assets)	437,359	4,262,876	3,289,705	7,989,940
Total assets	\$ 950,864	\$ 4,491,276	\$ 3,493,938	\$ 8,936,078
Liabilities and Net Assets				
Liabilities				
Current liabilities:				
Accounts payable	\$ 56,210	\$ 10,791	\$ 17,571	\$ 84,572
Accrued expenses	44,406	34,457	38,444	117,307
Customers' deposits	18,580	225	-	18,805
Current liabilities payable from restricted assets	-	30,000	60,999	90,999
Total current liabilities	\$ 119,196	\$ 75,473	\$ 117,014	\$ 311,683
Long-term debt - net of current portion	-	1,795,000	2,032,179	3,827,179
Total liabilities	\$ 119,196	\$ 1,870,473	\$ 2,149,193	\$ 4,138,862
Net Assets				
Invested in utility plant and system - Net of related debt	\$ 437,359	\$ 2,437,876	\$ 1,196,527	\$ 4,071,762
Restricted	-	138,013	55,310	193,323
Unrestricted and undesignated	394,309	44,914	92,908	532,131
Total net assets	\$ 831,668	\$ 2,620,803	\$ 1,344,745	\$ 4,797,216

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE**PROPRIETARY FUNDS****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2004**

	Major Funds			
	Electric Utility	Water Utility	Disposal System	Total
Operating Revenues				
Sales	\$ 928,651	\$ 413,690	\$ 555,728	\$ 1,898,069
Services	435	5,201	1,914	7,550
Other	4,528	-	-	4,528
Total operating revenues	\$ 933,614	\$ 418,891	\$ 557,642	\$ 1,910,147
Operating Expenses				
Distribution	\$ 806,631	\$ 311,601	\$ 409,178	\$ 1,527,410
Administrative and general	60,632	38,547	27,252	126,431
Depreciation	18,987	96,761	138,207	253,955
Total operating expenses	\$ 886,250	\$ 446,909	\$ 574,637	\$ 1,907,796
Operating Income (Loss)	\$ 47,364	\$ (28,018)	\$ (16,995)	\$ 2,351
Nonoperating Revenues (Expenses)				
Interest income	\$ 3,797	\$ 2,503	\$ 57	\$ 6,357
Interest expense	-	(92,000)	(96,546)	(188,546)
Total nonoperating revenues (expenses)	\$ 3,797	\$ (89,497)	\$ (96,489)	\$ (182,189)
Income (Loss) Before Transfers	\$ 51,161	\$ (117,515)	\$ (113,484)	\$ (179,838)
Transfers to other funds	(75,000)	-	(75,000)	(150,000)
Changes in Net Assets	\$ (23,839)	\$ (117,515)	\$ (188,484)	\$ (329,838)
Net Assets - Beginning of year	855,507	2,738,318	1,533,229	5,127,054
Net Assets - End of year	<u>\$ 831,668</u>	<u>\$ 2,620,803</u>	<u>\$ 1,344,745</u>	<u>\$ 4,797,216</u>

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

	Major Funds			
	Electric Utility	Water Utility	Disposal System	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 940,362	\$ 412,500	\$ 554,539	\$ 1,907,401
Payments to suppliers	(768,237)	(101,739)	(274,164)	(1,144,140)
Payments to employees for wages and benefits	(95,368)	(241,821)	(247,282)	(584,471)
Other receipts	4,528	-	-	4,528
Net cash provided by operating activities	\$ 81,285	\$ 68,940	\$ 33,093	\$ 183,318
Cash Flows from Noncapital Financing Activities				
Transfers	\$ (75,000)	\$ -	\$ (75,000)	\$ (150,000)
Net cash (used in) noncapital financing activities	\$ (75,000)	\$ -	\$ (75,000)	\$ (150,000)
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	\$ -	\$ (4,811)	\$ (23,347)	\$ (28,158)
Proceeds from debt	-	-	116,984	116,984
Principal paid on debt	-	(30,000)	(60,164)	(90,164)
Interest paid on debt	-	(92,000)	(96,546)	(188,546)
Net cash (used in) capital and related financing activities	\$ -	\$ (126,811)	\$ (63,073)	\$ (189,884)
Cash Flows from Investing Activities				
Interest	\$ 3,797	\$ 2,503	\$ 57	\$ 6,357
Purchase of investments	(80,156)	-	(21,000)	(101,156)
Net cash (used in) provided by investing activities	\$ (76,359)	\$ 2,503	\$ (20,943)	\$ (94,799)
Net Decrease in Cash and Cash Equivalents	\$ (70,074)	\$ (55,368)	\$ (125,923)	\$ (251,365)
Cash and Cash Equivalents - Beginning of year	396,555	123,055	162,564	682,174
Cash and Cash Equivalents - End of year	\$ 326,481	\$ 67,687	\$ 36,641	\$ 430,809
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 326,481	\$ 19,674	\$ 27,516	\$ 373,671
Restricted assets	-	48,013	9,125	57,138
Total	\$ 326,481	\$ 67,687	\$ 36,641	\$ 430,809
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating Income (loss)	\$ 47,364	\$ (28,018)	\$ (16,995)	\$ 2,351
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	18,987	96,761	138,207	253,955
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	10,517	(6,391)	(3,103)	1,023
(Decrease) increase in accounts payable	(160)	3,841	(88,076)	(84,395)
Increase in accrued expenses	3,717	2,747	3,060	9,524
Increase in customer deposits	860	-	-	860
Net cash provided by operating activities	\$ 81,285	\$ 68,940	\$ 33,093	\$ 183,318

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE

STATEMENT OF NET ASSETS - COMPONENT UNIT

June 30, 2004

	<u>Downtown Development Authority</u>
Assets	
Cash and cash equivalents	\$ 5,231
Accounts receivable	16,261
Taxes receivable	29,211
Due from primary government	20,331
Investments	<u>102,066</u>
Total assets	\$ 173,100
Liabilities and Net Assets	
Liabilities	\$ -
Net Assets - Unrestricted	<u>173,100</u>
Total net assets	<u>\$ 173,100</u>

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE
STATEMENT OF ACTIVITIES-COMPONENT UNIT
YEAR ENDED JUNE 30, 2004

	<u>Downtown Development Authority</u>
Expenses	\$ 20,657
Program revenues	<u>-</u>
	Net (expense) \$ (20,657)
General revenues and transfers	
Property taxes	\$ 91,701
Interest	5,833
Transfers - component unit	<u>(229,923)</u>
	Total general revenues and transfers \$ <u>(132,389)</u>
Change in Net Assets	\$ (153,046)
Net Assets - Beginning of year	<u>326,146</u>
Net Assets - End of year	<u>\$ 173,100</u>

See accompanying notes to the financial statements.

VILLAGE OF L'ANSE

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting policies of the Village of L'Anse, Michigan (the "Village") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Government Accounting Standards Board. The Village's reporting entity does not apply Financial Accounting Standards Board (FASB) pronouncements or Accounting Principles Board (APB) opinions issued after November 30, 1989.

The following is a summary of the significant accounting policies used by the Village of L'Anse, Michigan.

REPORTING ENTITY

The Village was incorporated under the provision of Act 3 in 1895 (General Law Village) and operates under a Council-Manager form of government. The accompanying financial statements present the Village and its component unit, for which the Village is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village. The Village's major operations include cemetery, police and fire protection, public works, sanitation, recreation and general administration services. In addition, the Village owns and operates three major enterprise activities: the electric utility system, water utility system and disposal system.

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units over which the Village exercises significant influence. Significant influence is based primarily on operational or financial relationships. The Downtown Development Authority (the "Authority") was created to encourage and spur redevelopment of the L'Anse business district and to make L'Anse an attraction for visitors and tourists as well as a source of pride for the local community. The Authority's governing board is appointed by the Village's governing body. The Village collects tax funds on the Authority's behalf.

Excluded from the reporting entity is the L'Anse Housing Authority. The L'Anse Housing Authority's governing board selects management staff, sets charges, establishes budgets and controls all aspects of its own operations. The Village provides no funding to the Authority. Additionally, the Village holds no title to Housing Authority assets, nor does it have any right to Housing Authority surpluses.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component unit. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the function. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major Enterprise Funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded in the year payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include property taxes and state-shared revenues. All other revenue items are considered to be available only when cash is received by the Village.

Amounts reported as program revenue include charges to customers for goods and services. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's ongoing operations. The principal operating revenue of proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are charges between the Village's electric, water, and sewer functions and other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Village reports the following major governmental fund:

General Fund – The general fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following three major proprietary funds:

Electric, Water and Disposal System Funds – These three funds are the Village's major proprietary funds. They account for the activities of the electric, water and sewer distribution systems of the Village.

Additionally, the Village reports the following funds:

Special Revenue Funds – Special revenue funds are used to account for the proceeds of earmarked revenue requiring separate accounting because of legal or regulatory provisions. They include the Major Street, Local Street and Municipal Street Funds.

Debt Service Fund – The debt service fund is used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from operations of an enterprise fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments – Cash and cash equivalents are considered to be highly liquid investments if they have a maturity date of three months or less when acquired by the Village. These include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Receivables and Payables – During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. All trade receivables are shown as net of allowance for uncollectible amounts (\$12,000 in 2004).

Inventory – Inventory consists of salt and gravel for roads and is valued at cost, on a first-in, first-out basis. General Fund balance has been reserved in an amount equal to the cost of the inventory.

Restricted Assets – Certain resources related to enterprise fund revenue bonds set aside for repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "contract payment account" is used to segregate resources accumulated for debt service payments. Other accounts are set aside for other special uses. Restricted assets include cash and cash equivalents and certificates of deposit with maturities greater than three months.

Capital Assets – The Village's property, plant and equipment and infrastructure with useful lives of more than one year are stated at historical cost and are comprehensively reported in the government-wide financial statements. The Village maintains infrastructure asset records on a prospective basis. There were no infrastructure asset acquisitions during 2004. Proprietary assets are also reported in their respective funds. Donated assets are stated at fair value on the date donated. The Village generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Buildings, equipment, vehicles and infrastructure assets are depreciated over the following useful lives:

Water and sewer distribution systems	10-65 years
Buildings and building improvements	65 years
Vehicles	5-10 years
Machinery and equipment	8-20 years
Infrastructure assets	N/A in 2004

Compensated Absences (Vacation and Sick Leave) – It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management – The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE B – BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are prepared on a detailed line item basis. Revenues are budgeted by source while expenditures are budgeted by department and class. All annual appropriations lapse at fiscal year end. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, two supplementary appropriations were necessary.

The Village followed the following procedures in establishing the budgetary data reflected in the financial statements:

1. On May 7, 2003, an operating budget was submitted to the Village Finance Committee for the fiscal year ending June 30, 2004. The operating budget includes proposed expenditures and the means of financing them.
2. On June 9, 2003, a public hearing was conducted to obtain taxpayer comments.
3. The budget was legally adopted on June 23, 2003.
4. The Village Council authorizes all budgetary revisions throughout the fiscal year.
5. Formal budgetary integration is employed as a management control device during the year for all governmental and proprietary funds.

NOTE C – DEPOSITS AND INVESTMENTS

State statutes authorize the Village to deposit and invest in the following:

1. Certificates of deposit, savings accounts, or deposit accounts of federally insured financial institutions. The Village Board shall authorize depositories at the Board's organizational meeting after each regular election of board members.
2. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
3. Repurchase agreements consisting of instruments listed in 2.
4. Bankers' acceptances of United States banks.
5. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
7. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Village. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
8. Investment pools through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
9. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
10. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.
11. American Transmission Company System; Amendment to Public Act 513 of 2002.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2004, the carrying value of the Village's deposits and investments were reported as follows:

	Governmental Activities	Business-type Activities	Total	Component Unit
Cash and cash equivalents	\$ 225,495	\$ 373,671	\$ 599,166	\$ 5,231
Investments	-	80,156	80,156	102,066
Restricted assets-bank deposits	-	284,322	284,322	-
Totals	\$ 225,495	\$ 738,149	\$ 963,644	\$ 107,297

The breakdown between deposits and investments for the Village is as follows:

	Primary Government	Component Unit
Bank deposits (checking and savings accounts and certificates of deposit)	\$ 883,188	\$ 107,297
Investments - UPPPA - ATC	80,156	-
Cash on hand	300	-
Totals	\$ 963,644	\$ 107,297

The bank and credit union balances totaled \$1,025,819 of which \$255,617 was covered by the F.D.I.C. or N.C.U.A. The remainder was uninsured and uncollateralized.

The Village's investments are categorized to indicate the level of risk assumed by the Village at June 30, 2004. Risk Category 1 includes those investments that are insured, registered, or held by the Village or its agent. Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department in the Village's name. Category 3 includes investments that are held by the counterparty or the counterparty's trust department but not in the Village's name.

The Village's investment in UPPPA – ATC is non-risk categorized.

NOTE D – PROPERTY TAXES

Property taxes were levied and leased by the Village on July 1, 2003 on the taxable valuation of property as of the preceding January 1. The Village billed and collected these taxes from July, 2003 to September, 2003. At that time, any unpaid billings were transferred to Baraga County, which is in charge of collecting delinquent taxes and remitting receipts to the Village. If a billing is still uncollected three years subsequent to the original billing, the property is subject to tax sale. It is the Village's policy to recognize revenue from the current tax levy.

The 2003 state equalized valuation of the Village totaled \$43,850,111 (taxable value \$36,446,224), on which taxes levied consisted of 13.7143 Mills for operating purposes, 1.8626 Mills for the DDA, and 1.2064 Mills for bond debt retirement.

The entire property tax administration fee is paid to the Village treasurer as compensation for collection of property taxes. There is, therefore, no reserved fund balance for excess receipts or excess disbursements associated with the property tax administration fee.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – CAPITAL ASSETS

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance 7/1/2003	Additions	Deletions	Balance 6/30/2004
Governmental Activities				
Land*	\$ 281,456	\$ -	\$ -	\$ 281,456
Land and grocery store*	-	394,739	-	394,739
Buildings	1,336,177	-	-	1,336,177
Machinery and equipment	172,560	103,607	-	276,167
Vehicles	708,708	-	-	708,708
Furniture and equipment	21,979	-	-	21,979
Subtotal	\$ 2,520,880	\$ 498,346	\$ -	\$ 3,019,226
Accumulated depreciation	656,708	88,836	-	745,544
Net capital assets	\$ 1,864,172	\$ 409,510	\$ -	\$ 2,273,682

*Non-depreciable.

Depreciation expense was charged to programs of the primary government as follows:

General government	\$ 23,439
Department of public works	33,379
Public safety	25,134
Recreation	6,884
Total	\$ 88,836

NOTE F – LONG-TERM DEBT

Bond issue - Village offices: General long-term debt bonds were issued to finance renovation and construction for an addition to the village fire hall and village offices. The bonds are payable annually at principal amounts ranging from \$10,000 to \$45,000, with the final payment due October 1, 2026. Interest is payable semi-annually at varying rates ranging from 5.00% to 6.05%. The bonds are secured by a pledge of the full faith and credit of the Village and future tax revenues.

Bond issue - Marina renovation: General long-term debt bonds were issued to finance a portion of the cost of a "Marina Redevelopment Project". The bonds are payable annually at principal amounts ranging from \$11,000 to \$17,000, with the final payment due November 1, 2004. Interest is payable semi-annually at 6.97%. The bonds are secured by a pledge of tax increment revenue of the Downtown Development Authority.

Loan payable - USDA - This loan was incurred to provide financing of specific equipment. The loan is payable in annual principal amounts ranging from \$13,000 to \$26,000 with the final payment due October 1, 2016. Interest is payable semi-annually at 4.75%. The loan is secured by the full faith and credit of the Village.

Installment contract payable – Contracts are incurred to provide financing on specific equipment.

The disposal system revenue bonds (1) were issued to partially provide for the acquisition and construction of a disposal plant and connecting sewer system. This project was undertaken in conjunction with the Township of L'Anse and the bonds presented in this report represent 83.56% of the entire bond issue (Village portion). The bonds are payable from the revenues (pledged) generated by the disposal system fund, however, the Village is obligated to levy taxes if the necessity arises. In addition, the Village is subject to various bond provisions including maintenance of accounts, etc. The bonds bear an interest rate of 5% per annum and the final payment is due in the year 2019.

Disposal system revenue bonds (2) were issued in 2002 to provide for improvements to the disposal plant. This project was undertaken in conjunction with the Township of L'Anse in the same manner as described above. Bonds of \$1,750,000 are or will be issued (Village portion 83.56% or \$1,462,300). The bonds are payable from revenues generated by the Disposal System Fund, however, the full faith and credit of the Village is pledged. The bonds are payable in increasing increments and bear an interest rate of 4.5% per annum and the final payment is due in the year 2042.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – LONG-TERM DEBT (CONTINUED)

The Water Utility revenue bonds were issued to provide for the acquisition and construction of a water and waste disposal system. The bonds are payable from the revenues generated by the water supply system fund. In addition, the Village is subject to various bond provisions including maintenance of accounts, etc. The bonds bear an interest rate of 5% per annum and the final payment is due in the year 2033.

Changes in long-term debt during the fiscal year ended June 30, 2004 are summarized as follows:

	Balance 7/1/2003	Additions	Retired	Balance 6/30/2004	Due Within One Year
Governmental Activities					
General Obligation:					
Bond issue-Village offices	\$ 590,000	\$ -	\$ (10,000)	\$ 580,000	\$ 10,000
Bond issue-Marina renovation	33,000	-	(16,000)	17,000	17,000
Loan payable-USDA	275,000	-	(14,000)	261,000	15,000
Installment contract payable	-	83,950	(6,084)	77,866	10,787
Total bonds and notes	\$ 898,000	\$ 83,950	\$ (46,084)	\$ 935,866	\$ 52,787
Other liabilities-sick pay	87,720	8,479	-	96,199	-
Total Governmental Activities	\$ 985,720	\$ 92,429	\$ (46,084)	\$ 1,032,065	\$ 52,787
Business-Type Activities					
Revenue Bonds:					
Disposal System (1)	\$ 722,794	\$ -	\$ (45,959)	\$ 676,835	\$ 45,958
Disposal System (2)	1,313,564	116,984	(14,205)	1,416,343	15,041
Water Utility	1,855,000	-	(30,000)	1,825,000	30,000
Total Business-Type Activities	\$ 3,891,358	\$ 116,984	\$ (90,164)	\$ 3,918,178	\$ 90,999

Debt requirements to maturity are as follows:

Year Ended June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 52,787	\$ 48,579	\$ 101,366	\$ 90,999	\$ 188,827	\$ 279,826
2006	42,255	46,589	88,844	96,012	184,353	280,365
2007	42,742	44,208	86,950	96,848	179,631	276,479
2008	44,251	42,171	86,422	106,026	174,872	280,898
2009	45,782	40,049	85,831	106,862	169,655	276,517
2010-2014	218,049	167,360	385,409	576,020	766,266	1,342,286
2015-2019	200,000	112,952	312,952	543,241	621,219	1,164,460
2020-2024	165,000	67,955	232,955	487,092	533,989	1,021,081
2025-2029	125,000	15,428	140,428	636,366	370,847	1,007,213
2030-2034	-	-	-	669,831	202,741	872,572
2035-2039	-	-	-	305,830	88,177	394,007
2040-2042	-	-	-	203,051	13,330	216,381
Totals	\$ 935,866	\$ 585,291	\$ 1,521,157	\$ 3,918,178	\$ 3,493,907	\$ 7,412,085

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables are classified as due to/from other funds or component unit and are composed of the following:

Due from:	Due to:		
	Nonmajor Fund	Component Unit	Total
General Fund	<u>\$ 3,108</u>	<u>\$ 20,331</u>	<u>\$ 23,439</u>

Individual fund operating transfers for fiscal year 2004 were as follows:

Transfers In:	Transfers Out:				
	General Fund	Nonmajor Fund	Business-type Funds	Component Unit	Total
General Fund	\$ -	\$ -	\$ 150,000	\$ 229,923	\$ 379,923
Nonmajor Funds	-	109,000	-	-	109,000
Debt Service Fund	62,038	-	-	-	62,038
Totals	<u>\$ 62,038</u>	<u>\$ 109,000</u>	<u>\$ 150,000</u>	<u>\$ 229,923</u>	<u>\$ 550,961</u>

NOTE H – SEGMENT INFORMATION

The Village maintains three enterprise funds which are intended to be self-supporting through user fees charged for services to the public. Financial segment information as of and for the year ended June 30, 2004 is presented as follows:

Condensed Statement of Net Assets

	Electric Utility	Water Utility	Disposal System	Total
Current assets	\$ 433,349	\$ 60,387	\$ 87,924	\$ 581,660
Restricted assets	-	168,013	116,309	284,322
Other assets	80,156	-	-	80,156
Capital assets	437,359	4,262,876	3,289,705	7,989,940
Total assets	<u>\$ 950,864</u>	<u>\$ 4,491,276</u>	<u>\$ 3,493,938</u>	<u>\$ 8,936,078</u>
Current liabilities	\$ 119,196	\$ 45,473	\$ 56,015	\$ 220,684
Liabilities payable from restricted assets	-	30,000	60,999	90,999
Noncurrent liabilities	-	1,795,000	2,032,179	3,827,179
Total liabilities	<u>\$ 119,196</u>	<u>\$ 1,870,473</u>	<u>\$ 2,149,193</u>	<u>\$ 4,138,862</u>
Invested in capital assets net of related debt	\$ 437,359	\$ 2,437,876	\$ 1,196,527	\$ 4,071,762
Restricted	-	138,013	55,310	193,323
Unrestricted	394,309	44,914	92,908	532,131
Total net assets	<u>\$ 831,668</u>	<u>\$ 2,620,803</u>	<u>\$ 1,344,745</u>	<u>\$ 4,797,216</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – SEGMENT INFORMATION (CONTINUED)

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Electric Utility	Water Utility	Disposal System	Total
Total operating revenues	\$ 933,614	\$ 418,891	\$ 557,642	\$ 1,910,147
Depreciation expense	18,987	96,761	138,207	253,955
Other operating expenses	867,263	350,148	436,430	1,653,841
Operating income (loss)	\$ 47,364	\$ (28,018)	\$ (16,995)	\$ 2,351
Nonoperating revenues (expenses)	3,797	(89,497)	(96,489)	(182,189)
Transfers	(75,000)	-	(75,000)	(150,000)
Changes in net assets	\$ (23,839)	\$ (117,515)	\$ (188,484)	\$ (329,838)
Net assets - Beginning	855,507	2,738,318	1,533,229	5,127,054
Net assets - Ending	\$ 831,668	\$ 2,620,803	\$ 1,344,745	\$ 4,797,216

Condensed Statement of Cash Flows

Net cash provided by (used):				
Operating activities	\$ 81,285	\$ 68,940	\$ 33,093	\$ 183,318
Noncapital financing activities	(75,000)	-	(75,000)	(150,000)
Capital and related financing activities	-	(126,811)	(63,073)	(189,884)
Investing activities	(76,359)	2,503	(20,943)	(94,799)
Net decrease	\$ (70,074)	\$ (55,368)	\$ (125,923)	\$ (251,365)
Cash and cash equivalents - Beginning	396,555	123,055	162,564	682,174
Cash and cash equivalents - Ending	\$ 326,481	\$ 67,687	\$ 36,641	\$ 430,809

NOTE I – DEFINED BENEFIT PENSION PLAN

Plan Description – The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Plan is affiliated with the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer pension plan administered by the Segal Company. Act No. 427 of the Public Acts of 1984, as amended, and the Constitution of the State of Michigan assign the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; for the Plan, that authority rests with the Village. The Segal Company issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Segal Company, One Park Avenue, New York, New York 10016-5895 or by calling (212) 251-5000.

Funding Policy – The Village is required to contribute at an actuarially determined rate; the current rate is 14.31% of annual covered payroll. The contribution requirements of the Village are established and may be amended by the MERS Board of Trustees.

Actuarial valuations are performed annually. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Memberships of the plan are as follows:

Non-vested active members	2
Fully-vested active members	19
Retirees and beneficiaries currently receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	<u>3</u>
Total	<u>27</u>

Annual Pension Cost – For the year ended June 30, 2004, the Village's annual pension cost of \$109,200 for the Plan was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2003, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses) (b) projected salary increases of 4.5% per year, and an additional projected salary increase ranging from 0.0% to 4.16% per year. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2003, was 32 years.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Contributed</u>	<u>Percent of APC Obligation</u>	<u>Net Pension</u>
June 30, 2002	\$ 97,729	\$ 97,729	100	\$ -
June 30, 2003	104,690	104,690	100	-
June 30, 2004	109,200	109,200	100	-

NOTE J - ECONOMIC DEPENDENCY

The Village receives a significant amount of its revenues from two corporate entities located within the Village. Approximately 26% of property tax revenues are received from these entities.

NOTE K - GASB NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Significant changes in the June 30, 2004 financial report include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Village's activities, including reporting infrastructure assets (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds.

Infrastructure assets were not included in the financial statements for 2004 as they are reported on a prospective basis. There were no infrastructure asset additions in 2004. Capital assets, previously reported in the General Fixed Asset Account Group, were included in the Statement of Net Assets. In addition, the governmental activities column includes other long-term debt previously reported in the General Long-term Debt Account Group.

VILLAGE OF L'ANSE
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes:				
Real and personal property taxes	\$ 452,300	\$ 467,300	\$ 465,919	\$ (1,381)
Payment in lieu of taxes	3,000	3,000	7,369	4,369
Penalties and interest	6,000	6,000	8,795	2,795
Total property taxes	\$ 461,300	\$ 476,300	\$ 482,083	\$ 5,783
State - shared revenues	\$ 261,400	\$ 243,400	\$ 241,736	\$ (1,664)
Other revenues:				
Garbage collection fees	216,000	220,000	221,253	1,253
Rent	110,000	130,000	132,725	2,725
Interest	15,000	15,000	11,954	(3,046)
Other	27,300	41,300	37,488	(3,812)
Total revenues	\$ 1,091,000	\$ 1,126,000	\$ 1,127,239	\$ 1,239
Expenditures				
General government:				
Village council	\$ 18,600	\$ 18,600	\$ 18,483	\$ (117)
Attorney	5,000	12,500	12,367	(133)
Village clerk	1,200	800	800	-
Treasurer	9,400	8,000	7,820	(180)
Buildings and grounds	5,000	6,300	6,071	(229)
Cemetery	31,600	24,750	24,496	(254)
Elections	2,700	2,350	2,287	(63)
General government	58,200	76,500	75,665	(835)
Total general government	\$ 131,700	\$ 149,800	\$ 147,989	\$ (1,811)
Public safety:				
Police department	\$ 331,800	\$ 338,500	\$ 336,056	\$ (2,444)
Fire department	38,000	34,400	34,394	(6)
Building inspection	3,700	1,450	1,403	(47)
Total public safety	\$ 373,500	\$ 374,350	\$ 371,853	\$ (2,497)
Public works:				
Department of public works	\$ 297,000	\$ 370,300	\$ 364,681	\$ (5,619)
Sidewalks	8,000	5,500	5,396	(104)
Total public works	\$ 305,000	\$ 375,800	\$ 370,077	\$ (5,723)

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (continued)				
Sanitation:				
Waste collection and disposal	\$ 91,000	\$ 76,700	\$ 76,233	\$ (467)
Sanitary landfill	100,000	120,000	118,181	(1,819)
Total sanitation	\$ 191,000	\$ 196,700	\$ 194,414	\$ (2,286)
Recreation:				
Parks and recreation	\$ 19,000	\$ 11,500	\$ 11,400	\$ (100)
Ice arena	15,000	31,600	31,303	(297)
Marina	3,000	1,500	1,083	(417)
Total recreation	\$ 37,000	\$ 44,600	\$ 43,786	\$ (814)
Capital outlay:				
General government	\$ -	\$ 395,000	\$ 394,739	\$ (261)
Public works	37,000	88,000	87,720	(280)
Fire department	-	5,000	4,856	(144)
Parks and recreation	15,000	11,050	11,030	(20)
Total capital outlay	\$ 52,000	\$ 499,050	\$ 498,345	\$ (705)
Debt service:				
Fire department	\$ 10,000	\$ 8,700	\$ 8,664	\$ (36)
Public works	-	26,000	25,692	(308)
Total debt service	\$ 10,000	\$ 34,700	\$ 34,356	\$ (344)
Total expenditures	\$ 1,100,200	\$ 1,675,000	\$ 1,660,820	\$ (14,180)
Excess of Revenues (Under)				
Over Expenditures	\$ (9,200)	\$ (549,000)	\$ (533,581)	\$ 15,419
Other Financing Sources (Uses)				
Installment obligation	\$ -	\$ 84,000	\$ 83,950	\$ (50)
Sale of fixed assets	-	-	1,500	1,500
Operating transfers in - Component Unit	-	230,000	229,923	(77)
Operating transfers in - Proprietary Funds	-	150,000	150,000	-
Operating transfers out - Debt Service Fund	(45,000)	(63,000)	(62,038)	962
Total other financing sources (uses)	\$ (45,000)	\$ 401,000	\$ 403,335	\$ 2,335
Net Change in Fund Balance	\$ (54,200)	\$ (148,000)	\$ (130,246)	\$ 17,754
Fund Balance - Beginning of year	195,551	195,551	195,551	-
Fund Balance - End of year	\$ 141,351	\$ 47,551	\$ 65,305	\$ 17,754

VILLAGE OF L'ANSE

REQUIRED SUPPLEMENTAL INFORMATION

RETIREMENT SYSTEMS SCHEDULE OF FUNDING PROGRESS

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
12/31/1998	1,110,778	1,796,865	686,087	62	676,360	101
12/31/1999	1,361,686	2,070,350	708,664	66	743,458	95
12/31/2000	1,568,840	2,436,234	867,394	64	709,169	122
12/31/2001	1,765,245	2,710,740	945,495	65	739,738	128
12/31/2002	1,916,659	2,947,851	1,031,192	65	768,361	134
12/31/2003	2,163,852	3,227,396	1,063,544	67	763,084	139

RETIREMENT SYSTEMS SCHEDULE OF EMPLOYER CONTRIBUTIONS

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percent Contributed
1999	\$ 94,042	\$ 94,042	100
2000	101,936	101,936	100
2001	93,504	93,504	100
2002	97,729	97,729	100
2003	104,690	104,690	100
2004	109,200	109,200	100

The information presented above was determined as part of the actuarial valuations at the date indicated.

Additional information as of June 30, 2004, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	32 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases*	4.50%
*Includes inflation at	4.50%
Additional salary increases attributable to seniority/merit	0% to 4.16%

VILLAGE OF L'ANSE
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Major Street	Local Street	Municipal Street	Debt Service	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 13,479	\$ 12,718	\$ 112,876	\$ -	\$ 139,073
Taxes receivable	-	-	974	-	974
Accounts receivable	9,267	4,596	-	-	13,863
Due from other funds	-	-	3,108	-	3,108
Total assets	\$ 22,746	\$ 17,314	\$ 116,958	\$ -	\$ 157,018
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 9,367	\$ 5,753	\$ -	\$ -	\$ 15,120
Accrued expenses	1,328	-	-	-	1,328
Total liabilities	\$ 10,695	\$ 5,753	\$ -	\$ -	\$ 16,448
Fund balances - Undesignated	12,051	11,561	116,958	-	140,570
Total liabilities and fund balances	\$ 22,746	\$ 17,314	\$ 116,958	\$ -	\$ 157,018

VILLAGE OF L'ANSE**OTHER SUPPLEMENTAL INFORMATION****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2004**

	Major Street	Local Street	Municipal Street	Debt Service	Total Nonmajor Governmental Funds
Revenues					
Property taxes	\$ -	\$ -	\$ 149,796	\$ -	\$ 149,796
State shared revenues	121,346	64,019	-	-	185,365
Maintenance fees	-	-	9,008	-	9,008
Interest	137	133	592	-	862
Total revenues	\$ 121,483	\$ 64,152	\$ 159,396	\$ -	\$ 345,031
Expenditures					
Routine maintenance	\$ 58,825	\$ 95,411	\$ -	\$ -	\$ 154,236
Traffic services	4,124	1,528	-	-	5,652
Winter maintenance	54,573	51,521	-	-	106,094
Administrative, engineering and record keeping	25,256	26,021	12,279	325	63,881
Debt service	-	-	-	61,713	61,713
Total expenditures	\$ 142,778	\$ 174,481	\$ 12,279	\$ 62,038	\$ 391,576
Excess of Revenues (Under) Over Expenditures					
	\$ (21,295)	\$ (110,329)	\$ 147,117	\$ (62,038)	\$ (46,545)
Other Financing Sources (Uses)					
Operating transfers in	\$ -	\$ 109,000	\$ -	\$ 62,038	\$ 171,038
Operating transfers out	-	-	(109,000)	-	(109,000)
Total other financing sources (uses)	\$ -	\$ 109,000	\$ (109,000)	\$ 62,038	\$ 62,038
Net Change in Fund Balance	\$ (21,295)	\$ (1,329)	\$ 38,117	\$ -	\$ 15,493
Fund Balance - Beginning of year	33,346	12,890	78,841	-	125,077
Fund Balance - End of year	\$ 12,051	\$ 11,561	\$ 116,958	\$ -	\$ 140,570

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

September 30, 2004

The Honorable President and Village Council
Village of L'Anse
L'Anse, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of L'Anse, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Village of L'Anse's basic financial statements and have issued our report thereon dated August 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village of L'Anse, in a separate letter dated September 30, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village of L'Anse, in a separate letter dated September 30, 2004.

This report is intended for the information of the management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

September 30, 2004

Village Council
Village of L'Anse
L'Anse, Michigan 49946

Council Members:

In planning and performing our audit of the financial statements of the Village of L'Anse for the year ended June 30, 2004, we considered the Village's internal control structure to determine our audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The paragraphs below summarize our comments and suggestions regarding those matters. This letter does not affect our report dated August 12, 2004, on the financial statements of the Village of L'Anse.

DOWNTOWN DEVELOPMENT AUTHORITY - ACCOUNTING AND BUDGETING

We recommend that the DDA establish a budget in accordance with Michigan requirements and approve it in their minutes. This budget should be integrated with the Village's as the DDA's revenues have been pledged to pay certain Village liabilities. Also, as in the prior year audit, it was noted that the Village's records were not updated in their entirety for the Downtown Development Authority.

ACCOUNTING SYSTEMS

The local financial institution has changed its method of handling cancelled checks. They are no longer returned to the Village for review. We recommend that procedures be instituted to ensure than cancelled checks are reviewed (possibly over the internet) monthly during the reconciliation process. This is very important from a prevent fraud perspective.

The Village has a relatively complex accounts receivable system in its proprietary funds. This complexity makes reconciliation difficult. We recommend that all accounts receivable be reconciled on a monthly worksheet and documented in an annual file.

CASH BALANCES

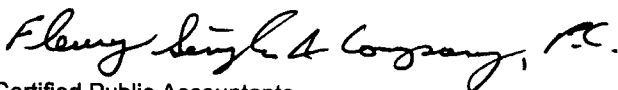
The Village has significant cash balances not covered by F.D.I.C. or N.C.U.A. insurance. We recommend that the Village consider using several banking institutions in order to minimize risk. Alternatively, the Village may wish to discuss with its present bank the possibility of having its deposits collateralized.

L'ANSE TOWNSHIP

L'Anse Township has not remitted the full amount of property taxes for the Village for 2002 and 2003. We recommend that the Village contact appropriate township personnel to expedite the remittances.

We will review the status of these comments during our next engagement. We have already discussed these comments and suggestions with Village personnel and we will be pleased to discuss them in further detail at your convenience. We wish to acknowledge the cooperation and courtesies extended to us during the course of our examination.

Very truly yours,



Certified Public Accountants

DJK/jac